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“The desire to perform all the time is usually a barrier to performing over time.” — Robert Olstein, Olstein Funds

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EMI Companies: Rain-Soaked Quarter, Positioning for Clearer Skies

Like the heavy rains drenching the island in recent weeks, June 2025 Quarterly (Q2 2025) Earnings for Main Market Energy, Materials and Industrials (EMI) companies listed on the Jamaica Stock Exchange (JSE) are under the weather. Direct and indirect costs drizzled amid higher investment-induced expenses, supply chain disruptions and maintenance schedules. That said, management teams are optimistic about future growth given the front-loaded costs of their endeavours. In today's cover story, we take stock of the current state of the EMI sector, assessing how companies performed last quarter and where they appear to be in the near to medium-term outlook.

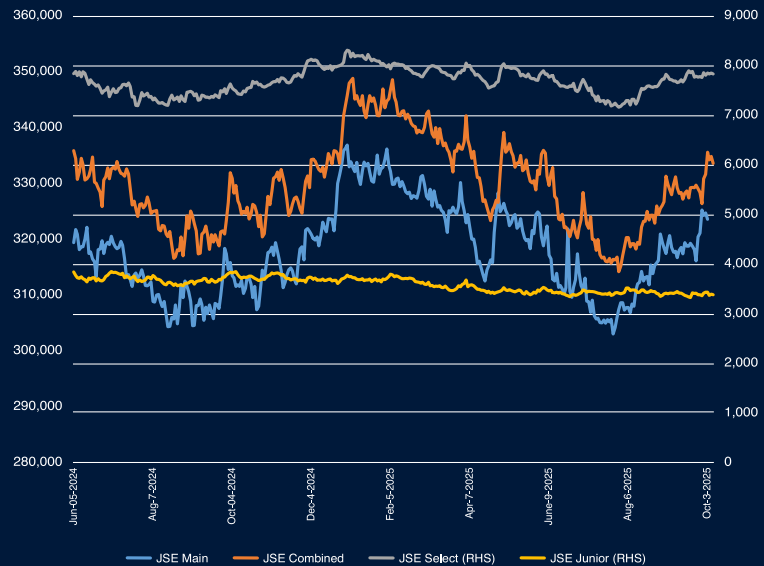
Mixed Fortunes Across the EMI Landscape

Q2 2025 earnings for EMI companies were mixed, with Energy and Materials Players getting their parades rained on, while Industrials thrived in sunnier weather (See Table 1). Expansion costs, one-off liquidation costs, maintenance downtime and disrupted logistics weighed on margins on some, amid pockets of resilient revenue and earnings growth in others. Earnings for the Renewable Energy players Tropical Battery (Tropical), MPCCEL Clean Energy (MPCCEL) and Wigton Energy (Wigton) were mixed, overcast by one-off costs and expansion-related expenses. For Tropical, its expansion efforts were a drag on its quarterly earnings resulting in a loss (J\$53.11Mn: -143.8%) amid revenue declines to (J\$1.46Bn: -23.3%) and a surge in selling, marketing and administration (SMA) costs up 54.8%. The increase in SMA costs came in the form of demand fluctuations and the transition to a larger warehouse and manufacturing facility in California, as well as other one-off charges. This, coupled with still elevated finance costs, inundated its earnings. Barbadian Renewable Energy Investment Holding Company,

MPCCEL, had a quarterly loss reflecting fair-value adjustments on its investments in solar PV and wind projects in the Caribbean and Central American regions due to unfavourable macroeconomic conditions. Additionally, one-off fund-liquidation costs came into play, and together they overshadowed the otherwise solid operating performance of its key assets. However, Wigton rode the winds of a 25.1% revenue increase to produce a 56.3% jump in net profit to J\$259.2Mn. The company benefited from a 26.6% increase in energy production despite minor hurricane-related repairs. This outpaced a 17.2% increase in operating costs stemming from investments in staff and the execution of its diversification strategy.

Meanwhile, despite revenue growth, the earnings for players in the materials space, Carib Cement (CCC) and Berger Paints (BRG), were squeezed by higher costs. Carib Cement's (CCC's) earnings slid 76.9% to J\$543.94Mn following a 55-day maintenance shutdown of its primary production equipment, which significantly increased costs during the quarter. Typically, during this time, cement is not being produced, and so, it would likely need to be imported. The maintenance shutdown likely increased the company's reliance on imported cement. At the same time, direct costs surged as maintenance expenses, additional manpower, and higher inventory adjustments for finished goods and work in progress levels drove up overall operating costs. However, such major plant maintenance is a normal part of cement manufacturing operations that ensure longevity, safety and reliability of plant and machinery. BRG's earnings lost its sheen, with a J\$6.09Mn loss on J\$775.99Mn of revenue. Management noted it paid up for alternative raw materials and opted for "fast-track" freight solutions to keep shelves stocked amid global supply

WEEKLY MOVEMENT IN INDICES



MOVEMENT IN INDICES

JSE Indices	Closing Levels	WoW % Change	YTD % Change
Combined Index	330,789.45	0.83%	-4.13%
Main Market Index	323,498.85	0.97%	-3.66%
Select Index	7,845.98	-0.34%	-5.62%
Junior Market Index	3,408.76	-0.96%	-9.61%

WINNERS & LOSERS FOR THE WEEK ENDED OCTOBER 3, 2025

	\$ Change	% Change
FIRSTROCKUSD	+\$0.0	+19.81%
MPCCEL	+\$7.50	+17.61%
KEY	-\$0.49	-21.40%
JETCON	-\$0.20	-10.81%

MARKET OVERVIEW

For the quarter ended September 30, 2025 (Q3 2025), overall market activity declined on the Jamaica Stock Exchange (JSE), relative to both the previous quarter (Q2 2025) and the same period last year (Q3 2024). Market volume declined to approximately 2.20Bn units at the end of Q3 2025, down from 2.89Bn in Q2 2025 (-23.8%) and 2.88Bn units in Q3 2024 (-23.7%). Similarly, market value dropped to J\$12.19Bn, from J\$12.70Bn in the previous quarter (-4.0%) and J\$22.05Bn in Q3 2024 (-44.7%). Despite the lower trading activity, investor sentiment showed signs of improvement, with 63 stocks advancing, up from 36 in Q2 2025 and 58 in Q3 2024. The number of declining stocks decreased to 64, from 92 in Q2 2025 and 70 in Q3 2024.

Over Q3 2025, the overall market performance, tracked by the JSE Combined Index, rose by 2.19%. Barita Investments Ltd.'s (BIL: +17.0%) and Guardian Holdings Ltd. (GHL: +20.7%) played a major role, given their large weight in the index and their quarterly price increase. Carib Cement (CCC: +13.3%), A.S. Brydens (ASBH: +28.0%) and Carreras (CAR: +9.4%) were also major contributors. Six (6) of the remaining eight (8) JSE indices advanced, led by the JSE Cross-Listed Index (+6.45%) and the JSE Financial Index (+3.73%). For the JSE Cross-Listed Index, GHL was the main driver. For the JSE Financial Index, the increase was primarily driven by BIL and GHL. However, the JSE USD index was the largest decliner for Q3 2025, and Productive Business Solution USD (PBSUSD: -38.3%) was the biggest driver. The JSE Junior Market Index also declined for Q3 2025 with Fosrich (FOSRICH: -12.6%), Blue Power Group Ltd (BPOW: -32.4%), Tropical Battery Company Ltd. (TROPICAL: -29.9%), Indies Pharma Jamaica Ltd (INDIES: -19.5%), and Main Event Entertainment Group Ltd (MEEG: -32.4%) primarily driving the decline. However, the Junior Market's decline was partly offset by Cargo Handlers Ltd. (CHL: +33.9%), Regency Petroleum Company Ltd. (RPL: +13.0%) and Dolphin Cove (DCOVE: +12.0%), among others.

chain disruptions and patchy shipping windows. Operating expenses remained relatively contained but still edged up 2.0% to J\$447.0Mn, reflecting the higher logistics and sourcing costs associated with maintaining business continuity.

While Energy and Materials got “caught in the rain”, clearer skies prevailed for industrial stocks. Kingston Wharves (KW) and TransJamaican Highway (TJH) delivered solid earnings growth, supported by growing revenues, even as ongoing investments and system upgrades weighed on costs. KW’s Q2 revenue grew to J\$3.18Bn (+25.1% YoY) and earnings attributable to shareholders for the period were J\$899.0Mn (+41.2%), powered by a 29.0% surge in Terminal Operations¹. This occurred even as the company continues to invest in this business line, expanding the capacity of its multi-purpose terminal (+22.3% increase in operating expenses YoY). However, KW’s earnings were dampened by its logistics services segment as its operating profits declined by 26.0% in Q2. This was driven in part by regulatory reforms and changes associated with the development of the business and its systems to drive long-term competitiveness². TJH also performed well, with earnings up 26.8% to J\$1.38Bn, supported by revenues of J\$3.56Bn (+15.5%) while opex increased by 5.4%, materially lower than its revenue gains. Since its acquisition of Jamaica Infrastructure Operator (JIO), TJH has maintained consistent profitability, reflecting both improved cost efficiencies and resilient topline growth driven by steady growth in traffic volumes and tolling upgrades³.

Clouds Today, Clearer Skies Ahead

Though higher costs cast a dark cloud over Q2 earnings, there’s a silver lining as several EMI companies are poised to reap the rewards of their ongoing investments. CCC continues to navigate its modernisation path, with kiln upgrades and dust-mitigation works designed to lower energy intensity and stabilise yields, so margins can rebound post maintenance activities. Berger Paints is reinforcing its supply chain, taking on higher costs for alternative sourcing and freight to keep inventories robust, which can be

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expected to help normalise earnings as its J\$1.12Bn stockpile serves as an umbrella against further supply squalls. Tropical Battery, though soaked by expansion-related charges, is looking towards brighter weather ahead with J\$500Mn in renewables projects expected to close by Q4. MPCCEL, nearing the end of its fund wind-down⁴, is redeploying US\$5.46Mn from the Paradise Park sale and banking on strong asset-level output from its Costa Rican windfarm, Tilawind and Solar Park (San Isidro) located in El Salvador, to resume distributions as grid conditions normalise. Meanwhile, the sector’s clearer skies are coming from TJH, KW and WIG which all noted efforts to grow future earnings. TJH is deepening its revenue base through rising commuter traffic, wider T-Tag adoption, and tolling-system upgrades that should also boost efficiency and reduce collection costs. The toll operator is also positioning for long-term growth via the Phase 1C May Pen-Williamsfield concession⁵. At the same time, continued debt reduction is strengthening margins and freeing cash flow for reinvestment for more earnings growth, reinforcing its resilience even amid a high-rate environment. KW is pressing forward by scaling Terminal Operations, commissioning a new warehouse, and widening its reach through its 27.0% Cargo Handlers stake. Despite these initiatives keeping upward pressure on costs, they are expected to boost KW’s earnings going forward by driving higher cargo volumes, improving operational efficiency, and widening its revenue base. A similar approach is being taken by WIG, with an emphasis on investing in staff and

other areas of the business, with anticipation for growth through diversification. Short-term clouds remain, but across the EMI landscape, the groundwork for recovery is being laid, turning today’s downpour of expenses into the steady flow of tomorrow’s gains.

Weathering the Drizzle, Waiting for the Sun

Despite economic drizzle from high interest rates and global headwinds, the EMI sector has shown that its recent earnings slump is more of a passing shower than a lasting storm. Several companies are already positioning for recovery once market conditions improve. The Bank of Jamaica’s recent decision to hold its policy rate at 5.75% reflects a cautious stance amid still-elevated inflation and global uncertainty, keeping financing costs high for now, which dampens stock market activity. Additionally, risk aversion across markets remains elevated, and still-unpredictable U.S. trade policies stoke market uncertainty globally and in Jamaica. However, with the sources of their lower earnings largely transitory factors like modernisation works, weather disruptions, and timing effects, the aggregate dip in sector earnings is likely to be short-term. Should inflation continue to ease, and eventual rate cuts ensue, companies with cost discipline, dividend support, and solid balance sheets are best placed to lead the rebound.

Table 1: Earnings and Revenue YoY Changes for the EMI Sector

Sector	Ticker	Total Revenue (J\$Bn)		Earnings		YoY Change (%)	
		Q2 2024	Q2 2025	Q2 2024	Q2 2025	Revenue	Earnings
E	TROPICAL	1.91	1.46	0.12	-0.05	-23.3%	-143.8%
	MPCCEL	1.33	-0.67	1.23	-0.92	-150.2%	-174.7%
	WIG	0.62	0.82	0.17	0.26	32.2%	56.3%
M	CCC	7.67	8.13	2.35	0.54	6.0%	-76.9%
	BRG	0.79	0.78	-0.01	-0.01	-1.9%	12.6%
I	KW	2.54	3.18	0.64	0.9	25.1%	41.2%
	TJH	3.2	3.62	1.13	1.39	13.2%	23.7%
Total		18.06	17.32	5.63	2.12	-14.1%	-37.4%

Source: NCBM Research and JSE

1 KWL’s terminal operations contribute 60.0% of its consolidated revenue.

2 KWL Q2 2025 Financial Statements

3 Tolling upgrades include in-lane T-Tag purchases for immediate use, discounts for frequent users, and a push to expand electronic tolling adoption. TJH has also enabled credit card payments, introduced license plate-mounted and motorbike tags, and is testing a tap-and-go system in partnership with Mastercard and NCB.

4 MPCCEL previously held an 85.7% stake in the Cayman-based MPC Caribbean Clean Energy Fund LLC, which owned its regional renewable assets. However, because this intermediary structure only generated fair-value adjustments and limited cash inflows unless dividends were paid upstream, MPCCEL decided to dissolve the fund to streamline operations and directly hold its underlying investments.

5 TJH has now began charging for the use of this leg, effective October 1, 2025

Foreign Exchange Market

For the week ending October 3, 2025, the Jamaican dollar depreciated slightly (-0.05%), with the USD selling rate moving from J\$161.26 to J\$161.34 at the close of trading on October 3, 2025. Despite ongoing FX depreciation, the Jamaican dollar remains below \$161.50, where strong price resistance from participants has so far capped depreciation beyond this level.

Selling	Close: 09/26/25	Close: 10/03/25	Change
J\$/US\$1	\$161.26	\$161.34	\$0.08
J\$/CDN\$1	\$121.15	\$115.85	(\$5.30)
J\$/GBP£1	\$216.35	\$216.85	\$0.50

Global Bond Prices

Last week, the market processed news that the United States (U.S.) government had officially entered a shutdown following the failure to resolve a budget dispute between Republican and Democratic politicians. The shutdown immediately suspended non-essential federal operations and could delay the release of key economic data, including the September employment report and consumer price inflation (CPI) figures, both of which are central to the Federal Reserve's (Fed) decision-making process. After the Fed resumed its interest rate-cutting cycle last month, Chair Jerome Powell signalled that incoming U.S. economic data would play an even more critical role than usual in determining the central bank's next steps. However, the government shutdown now implies that the Fed may be walking blind or may need to rely on less accurate data sources. As such, a prolonged government shutdown would affect the Fed's ability to accurately assess the labour market and inflation situation, likely prompting a recalibration in the outlook for the interest rate trajectory. The FOMC's September 'dot plot' showed a median estimate of two more rate cuts this year. Likewise, investors still expect the Fed to resume rate cuts in October, with the CME FedWatch tool indicating a 96.7% likelihood that the Fed will cut the policy rate by 25 basis points (bps), and an 84.9% probability for a 25bps cut in December. However, there is now a compelling case for not easing at all, to avoid pouring fuel on the fire with cuts made in a haze of uncertainty rather than on data-led evidence. But the shutdown itself, if history is any guide, is unlikely to significantly impact the U.S. economy. Over the last fifty years, there have been 20 shutdowns that lasted, on average, eight days, with a median duration of four days. This is generally not long enough to cause severe harm to the economy. But if prolonged, the shutdown could raise concerns about the credit quality of U.S. debt, negatively affecting Treasury prices and further increasing yields.

Despite the uncertainty, U.S. Treasury yields declined modestly across the curve, with the 10-year Treasury moving from 4.17% on September 26th to 4.12% on October 3rd. Developing sovereign bond prices were also somewhat

insulated from the U.S. government shutdown, as evidenced by a rise in most bond prices. Latin American and Caribbean bonds experienced mostly lower yields given the rise in their prices. Bonds on the longer end of the curve for Barbados, Bermuda, Costa Rica, Jamaica, the Dominican Republic and Panama ended the week with slight price gains. However, their shorter-tenured Notes remained flat while some saw muted price declines. JAMAN saw prices ranging from -0.1 to 2.4%, BARBAD: 0% to 0.5%, BERMUD: -0.1% to 0.3%, COSTAR: -0.03% to 0.5%, DOMREP: 0% to 0.3%, and PANAMA: 0.3% to 0.9%.

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
BAHAMA (6.00%) 2028	BB-/Stable	103.50	4.77%	BUY
BAHAMA (6.63%) 2033	BB-/Stable	96.00	7.32%	BUY
BAHAMA (6.95%) 2029	BB-/Stable	105.25	5.50%	BUY
BAHAMA (8.25%) 2036	BB-/Stable	111.50	6.72%	BUY
BAHAMA (8.95%) 2032	BB-/Stable	114.25	6.39%	BUY
BAHAMA (9.00%) 2029	BB-/Stable	111.50	5.50%	BUY
BARBAD (8.00%) 2035	B+/Stable	107.25	6.96%	BUY
BCRED (6.00%) 2032 (NEW)⁶	BBB-/Positive	106.00	4.88%	BUY
BEEFBZ (4.88%) 2031	BB/Stable	85.65	7.22%	BUY
BERMUD (4.75%) 2029	A2/Stable	104.25	3.39%	BUY
DOMREP (5.5%) 2029	Ba2/Stable	104.75	3.97%	BUY
DOMREP (6.95%) 2037	Ba2/Stable	110.00	5.74%	BUY
DOMREP (8.63%) 2027	Ba2/Stable	108.00	3.19%	BUY
GM (5.4%) 2029	Baa2/Stable	106.00	3.77%	BUY
JAMAN (6.75%) 2028	BB/Positive	107.00	3.83%	BUY
JAMAN (8.5%) 2036	BB/Positive	116.50	6.49%	BUY
KINGAIR (6.75%) 2036	BB/Positive	106.00	6.31%	BUY
LTMCI (7.625%) 2031	BB/Stable	106.75	6.20%	BUY

⁶ Issuer- Blackstone Private Credit Fund, Industry- Financial Services, Type- Senior Unsecured, Callable-Yes, Coupon Rate- 6.00%, Coupon Payment- Semi-annually, Maturity- January 29, 2032, Risk Profile - Moderate

Bonds	Currency Rating	Indicative Price	Yield	Recommendation
LTMCI (7.88%) 2030	BB/Stable	106.50	6.20%	BUY
MOAIR (6.60%) 2029 (NEW ISSUE!) ⁷	BB+ / Positive	105.00	5.91%	BUY
NFLX (5.875%) 2028	A/Stable	108.25	3.05%	BUY
NRG (3.88%) 2032	BB+ / Stable	95.00	4.80%	BUY
NRG (6%) 2033	BB+ / Stable	104.25	5.29%	BUY
NRG (6.25%) 2034	BB+ / Stable	105.25	5.51%	BUY
POSWDL (7.88%) 2040	BB/Stable	104.25	7.39%	BUY
PYPL (2.85%) 2029	A-/Stable	98.00	3.39%	BUY
SFC (5.3%) 2028	BB- / Positive	102.75	4.16%	BUY
TGU (7.75%) 2033	Ba3/Stable	108.00	6.41%	BUY
TPHLTT (9%) 2029	BB / Positive	106.00	7.18%	BUY
TRAJAM (5.75%) 2036	BB / Positive	97.00	6.13%	BUY
BANORT (5.75%) 2031	Baa2 / Negative	99.75	1.29%	SELL
WBD (4.125%) 2029	BB+ / Negative	95.50	5.52%	SELL
NFE (6.5%) 2026	CCC / Negative	30.75	190.18%	SELL

GOJ Globals

Ticker	Maturity	Bid	Offer Yield*
JAMAN	2028	104.25	3.89%
	2039	121.25	5.60%
	2045	120.35	6.09%

*NB: The rates quoted above are opening indicative levels on the international market and are subject to change as market conditions vary throughout the trading session. Additionally, the prices quoted to clients of NCB Capital Market Limited (NCBCLM) are adjusted to reflect the costs associated with completing the transaction on the respective client's behalf.

Local Corporate Bonds

Name	Maturity	Coupon	Price	Yield
PBS	2025	6.50%	100.85	6.03%
BDHR	2027	8.15%	100.25	7.96%
SJPC	2032	8.85%	100.50	8.75%

Money Market

Last week, liquidity in the JMD money market declined, as measured by the aggregated current balances held by Deposit-Taking Institutions (DTIs). As at October 3, 2025, the total aggregate current balance amounted to J\$65.66Bn, marking a 6.6% decline compared to the previous week.

After three (3) consecutive weeks of increases, yields declined in the weekly Bank of Jamaica's (BOJ) 30-day Certificate of Deposit (CD) Auctions. The average yield on the 30-day CD Auction fell to 5.89% from 6.22% the previous week. Bids totalled J\$26.94Bn relative to the J\$14.00Bn issue size, implying a bid-to-offer ratio of 1.93x. While the previous week's 0.92x bid-to-offer was lower, this was primarily driven by the higher offer size of J\$40.00Bn. The next auction date is set for October 8, 2025. Additionally, the Government of Jamaica (GOJ) has announced its auction of a total of J\$2.2Bn in Treasury Bills (T-bills) to finance its budgetary requirements. There are three (3) tenors up for auction – 91-day, 182-day and 273-day. Both the 91-day and 182-day tenors have an offer size of J\$700.00Mn, while the 273-day tenor has an offer size of J\$700.00Mn. The subscription date for the auction is the 8th of October, with settlement on the 10th.

The BOJ's Monetary Policy Committee (MPC) unanimously voted to leave its policy rate at 5.75% against the background of low headline inflation amid global uncertainties at its meetings on September 25th and 26th. Despite broad market expectations for a reduction in the benchmark rate, the MPC determined that the current stance continues to be appropriate to support inflation converging to the target range (4.0%-6.0%). As at August 2025, headline inflation fell significantly below the BOJ's target range to 1.2%, while core inflation amounted 4.2%. However, the BOJ emphasised that the forces driving historically low headline inflation in August were temporary, arising largely from strong base effects and policy changes.

⁷ Issuer- Montego Bay Airport Revenue Finance Ltd, Industry- Infrastructure, Type- Senior Secured, Callable- Yes, Coupon Rate- 6.60%, Coupon Payment- Semi-annually, Maturity- June 15, 2035, Risk Profile - Moderate

Dates to watch this week

■ International ■ Local

OCTOBER 2025				
MON	TUE	WED	THUR	FRI
6	7	8	9	10
	US & CAD Trade Balance (Aug)		Fed Chair Powell Speaks	ELITE Dividend Payment Date (\$0.01 per share) LUMBER Dividend Payment Date (\$0.08 per share)
				US & CAD Unemployment Rate (Sep) FOMC Meeting Minutes

Recommendations

Ticker	Closing Price (October 7, 2025)	P/E	Avg. Sector P/E	Current Recommendation
SVL JA	\$18.45	27.5x	27.5x	BUY
TJH	\$3.98	9.0x	15.5x	BUY
TJH USD	\$0.0261	9.3x	14.5x	BUY
GK JA	\$72.79	8.8x	9.6x	BUY
CAR JA	\$17.54	18.7x	18.0x	BUY

Regional News

Guyana Introduces 9-point Foreign Exchange Control Plan

President Irfaan Ali announced several measures that would be put in place by the Guyana Revenue Authority (GRA), commercial banks and the Bank of Guyana (BoG) to stem the outflow of United States (U.S.) dollars that has now almost quadrupled over the past year to about US\$1.2Bn. In a statement issued by the Office of the President, Dr Ali said the new measures would require importers to provide their invoice, bill of lading and GRA compliance to commercial banks before payments are released. "The implementation of these nine standard operating procedures (SOPs) is designed to tighten foreign exchange (FX) controls, improve transparency, and prevent abuse of the system, especially in the context of rising demand and capital flight," according to the statement. As another measure to curb excessive demand for U.S. dollars, the President also mandated that commercial banks monitor credit card usage to ensure they are being used for personal rather than business transactions. He highlighted a sharp escalation in credit card usage as part of his broader concerns about FX outflows. In 2023, total credit card clearance stood at approximately US\$91.3Mn. That figure surged to US\$347.5Mn in 2024, marking a nearly four-fold increase. He said that in 2025, the amount has already reached close to US\$252Mn, signalling continued high-volume activity. Providing statistics showing the central bank's intervention in the foreign exchange market, the President said in 2024, US\$332Mn as provided to meet foreign exchange demand. That, he said, has risen to US\$1.2Bn in 2025, with an additional US\$160Mn still pending. The decisions were made after a meeting with several stakeholders of the financial sector, including the BoG Governor, Dr Gobin Ganga, GRA Commissioner-General, Godfrey Statia, and representatives of commercial banks operating in Guyana. Also attending the meeting was Minister of Public Service and Government Efficiency, Zulfikar Ally. President Ali noted that an interagency task force, including technical support, was convened to comprehensively review the increase in demand for foreign exchange. He noted too that his government has made several interventions over the last three years in the foreign currency sector.

Source ~ Demarara Waves

Central America Economic Outlook

Resilience in remittance inflows and the easing of idiosyncratic shocks will help to backstop regional growth in 2025, though anticipations are that the impact

from tighter U.S. migration policy will be more keenly felt from 2026. Growth will come in close to 3.0% throughout the region in 2025, with Guatemala (3.6%) leading the pack on the back of a pronounced loosening of fiscal policy. While activity will ease everywhere next year, the slowdown will be most pronounced in Nicaragua given its more significant exposure to the U.S. and rising risk of sanctions in light of the more aggressive stance the administration has taken toward its ideological opponents. Significant steps have been taken to address macro imbalances throughout the region over the past few years, supported by IMF programmes that have contributed to an improvement in the external and fiscal accounts. Governance concerns are substantial across the region, as democratic institutions have been significantly eroded across the Northern Triangle and Nicaragua. This will create a lingering risk of social unrest across the region and could lead to US sanctions. Guatemala stands as the most glaring exception to this trend. That said, risks to growth throughout the region will be skewed to the downside in 2026. Particularly for Nicaragua, the possibility of more comprehensive sanctions being implemented against President Daniel Ortega's government will threaten growth in the coming quarters. Public polling suggests support for heavy-handed responses to crime, suggesting that other governments may follow in El Salvador and Honduras's footsteps. While this could benefit growth in the short term by removing operational challenges, such crackdowns pose risks to social stability and the resilience of political institutions.

Source ~ BMI, A Fitch Solutions Company

International News

Global Political Outlook Q4 2025: Elusive Conflict Resolutions, Elevated Discontent

As we enter the final quarter of 2025, three big topics are occupying centre-stage: ongoing global trade uncertainty, as U.S. President Donald Trump introduces more tariffs; ongoing efforts to end the Israel-Hamas war in Gaza and growing pressure on Iran over its nuclear programme; and ongoing conflict in Ukraine. First, Trump's greater trade protectionism and volatility will encourage the world's major economies to diversify their trade away from the US, as evidenced by the fact that new transcontinental or intercontinental trade deals and patterns are emerging that exclude the U.S. Examples include the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), the EU-India trade deal, the EU-Mercosur trade deal (the latter two still pending), and China's growing trade with the Global

South. However, this diversification will be a gradual process lasting many years. Even so, the likely result will be a more polycentric trade architecture, dovetailing with a more multipolar world.

Second, geopolitical tensions in the Middle East will remain elevated, despite renewed efforts to end the war in Gaza. The U.S. and Israel have stepped up pressure on Hamas to accept President Trump's 20-point peace plan for Gaza in the immediate term. Hamas's rejection would give Israel justification to further intensify its operations in Gaza. That said, even if Hamas were pressured to accept, the plan is unlikely to end the war, as the plan's ambiguities and non-committal language create ample room for slippage and renewed fighting. Indeed, Israeli Prime Minister Benjamin Netanyahu's recent remarks that the IDF "will remain in most of the territory" under the plan and that Israel did "absolutely not" agree to a Palestinian state underscore an intention to leverage vagueness to diverge from the roadmap, which would likely prompt reciprocal non-compliance by Hamas. Finally, anticipations are that the Russia-Ukraine conflict will continue into 2026, as it is clear that President Vladimir Putin is unwilling to halt military operations at this time, despite pressure from the Trump administration. Indeed, the Kremlin is reluctant to countenance even a brief ceasefire. However, despite Russia's recent summer offensive and vast military-industrial base, Russian troops have failed to make substantial advances in Eastern Ukraine. This suggests that the existing frontlines will not change much and will form the basis for a de facto separator line between the two countries' armed forces when the war does eventually come to an end. The timing of this is still far from clear, but resource constraints on the part of Ukraine and Russia suggest that the conflict will enter a lower intensity phase in 2026. Recent developments on these fronts continue to represent major disturbances to the international system. Overall, the world order is currently experiencing its biggest shake-up since the end of the Cold War, and Fitch Solutions expects this readjustment period to last at least a few more years.

Source ~ BMI, A Fitch Solutions Company

New Contribution-Based Settlement Model to Reduce Net Migration

The Home Secretary of the United Kingdom (U.K.) has announced a proposed new contribution-based settlement model to reduce net migration, boost integration and reduce pressure on public services. To ensure people contribute to the economy and society

before being able to settle in the UK, under the new model they will have to be lawfully resident in the UK for a minimum of 10 years, double the current period. A person can earn a reduction in the number of years if they meet earnings or integration requirements, while those who have been non-compliant at any point will be required to wait longer, or have their claim refused outright. The Home Secretary has set out the proposed conditions for gaining indefinite leave to remain in the UK, including being in work, making a certain level of National Insurance contributions, not taking any benefits payments, learning English to a high standard, having a spotless criminal record, and giving back by, for example, working in your local community. The plans will be subject to a consultation, which will be launched by the end of the year and be open to contributions from the public.

Additionally, Prime Minister, Keir Starmer wants to change how international law is interpreted, to stop unsuccessful asylum seekers blocking their deportation on the grounds they could be sent to worse prisons or healthcare systems. The prime minister told the BBC he did not want to "tear down" human rights laws, but is ready to look again at article three of the European Convention on Human Rights, which protects against torture and degrading treatment. The prime minister said mass migration in recent years meant there needed to be a change, but those genuinely fleeing persecution should still be given asylum.

Sources ~ GOV UK, BBC

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